

STATE OF CALIFORNIA

Public Utilities Commission
San Francisco

M e m o r a n d u m

Date: March 21, 2011

To: The CPUC
(Meeting of March 24, 2011)

From: Edward Randolph, Director
Office of Governmental Affairs (OGA) — Sacramento

**Subject: Assembly Bill 56 (Hill) – Public utilities: fines and penalties:
intrastate pipeline safety.
As amended: March 16, 2011**

**LEGISLATIVE SUBCOMMITTEE RECOMMENDATION: SUPPORT WITH TECHNICAL
AMENDMENTS**

SUMMARY OF BILL:

This bill was introduced in response to the natural gas pipeline explosion in San Bruno on September 9, 2010. The bill would require the California Public Utilities Commission (CPUC) and public utilities to adopt new procedures relating to assessment and reporting of natural gas pipeline operations. The bill would also require the CPUC to make changes to its ratemaking procedures and would codify specific restrictions on cost recovery by gas corporations. Specifically, the bill:

- 1) Would prohibit public utilities from recovering in rates any fines and penalties assessed on the utility. Gas corporations would not be able to recover from their customers any uninsured expenses due to a catastrophic event caused by utility negligence;
- 2) Requires all public utilities to file quarterly reports with the CPUC and Division of Ratepayer Advocates (DRA) describing how ratepayer funds were spent;
- 3) Requires the CPUC to work with DRA to align its ratemaking practices to promote safety;
- 4) Requires public utilities to return to ratepayers unspent funds that were to be used for safety;

- 5) Requires the CPUC to consider a public utility's safety record in determining its authorized rate of return;
- 6) Requires the CPUC to adopt and enforce new safety standards for natural gas pipelines that are compatible with or exceed current federal standards including requirements regarding:
 - a. annual performance reporting;
 - b. application of the integrity management requirements that currently apply to high consequence areas system-wide;
 - c. public education of one-call notification;
 - d. provision of pipeline mapping information to local first responders;
 - e. protocols for pipelines in seismic active areas;
 - f. installation of automatic or remotely-controlled valves;
 - g. pressure limitations for pipelines for which the gas corporation does not have records for pressure testing; and
 - h. requiring upgrades to certain pipeline facilities;
- 7) Requires the CPUC to adopt and enforce a one-call notification program; and
- 8) Requires the CPUC to track whether a gas utility made the repairs it proposed and for which the CPUC granted cost recovery. If such proposed repairs were not made, the gas utility would be required to provide justification in a public filing.

SUMMARY OF SUPPORTING ARGUMENTS FOR RECOMMENDATION:

Prohibiting the recovery of fines, penalties and claims denied by an insurance carrier due to a finding of negligence on the part of a utility is equitable because a utility should not be compensated for costs it incurs due to its unlawful acts or negligence. Such a prohibition also provides an incentive for a utility to operate responsibly.

The requirements that the CPUC track repairs that were the basis of a rate case and that the utility provide the CPUC with spending reports on a quarterly basis are both reasonable because this ensures that the CPUC will be better informed on how the utilities are prioritizing their safety expenditures and it provides more transparency for the public to better track utility activities. This level of oversight will also augment the CPUC's safety mission and provide an indication of whether a gas utility is properly maintaining its system.

Aligning the CPUC's ratemaking practices to reflect safety concerns would ensure that the CPUC maintains a focus on safety in rate case proceedings and that authorized funding levels for safety activities are adequate.

Requiring a public utility to return unspent safety funds to ratepayers creates an incentive for a public utility to fully spend its authorization, which should benefit public safety.

Consideration of a public utilities' safety record in determining its rate of return creates an incentive for a public utility to operate safely.

The bill would also increase the type and amount of information provided annually to regulatory authorities regarding pipeline operations. Currently, the operators are required to submit annual reports regarding the number and type of incidents that occur on their systems.

The bill would require the CPUC to identify and enforce the type of pipeline mapping information provided to emergency responders, potentially increasing public safety.

Enhanced application and enforcement of the one-call notification requirement would address one of the most common causes of pipeline incidents. Each year, the CPUC receives thousands of reports related to excavation damage involving gas pipeline facilities.

This bill would require pipeline operators in California to provide enhanced safety oversight priority to facilities that are in proximity to active seismic areas, potentially increasing public safety relative to the risk associated with seismic activities

SUMMARY OF SUGGESTED AMENDMENTS (if any):

Section 746(a) – Fines and Penalties

1) The prohibition against public utilities recovering the cost of fines and penalties should also include any utility payments involving a civil lawsuit (either a court ordered award or out-of-court settlement) where the utility was found to be negligent. This amendment is appropriate because such payments are similar to a fine or penalty and should not be borne by utility customers.

2) To aid the CPUC's enforcement of the provision, each public utility whose rates are subject to CPUC approval should be required by statute to report annually to the CPUC an itemized description of all fines, penalties, and civil lawsuit related payments made during the year.

Section 746(b) – Quarterly Spending Reports

Requiring utilities to file reports on all expenditures approved by the CPUC is a broad requirement. Since the focus of the statute is on safety, the scope of the reports should be limited to describing how a public utility is spending ratepayer funds authorized for safety activities. A narrow, focused spending report would better enable, CPUC, DRA, and the general public to use these reports to track safety expenditures. Rather than

quarterly filing, the CPUC would be appropriately informed if the safety reports are semi-annual.

If the intent of the author is for a public utility to describe how it spends **all** its ratepayer funds, an annual reporting requirement instead of a quarterly requirement would be sufficient and would lead to a more effective use of staff resources.

Although the recommended filing frequency is less than quarterly, in the event the CPUC or DRA needs more timely information, it can be obtained through a data request to the public utility.

The bill requires a utility to describe their spending but it does not specify what information the reports should contain. So that the reports can be more informative and uniform, the bill should state that the CPUC may specify the information to be reported.

Section 746(c) – Alignment of CPUC ratemaking practices with safety

The section directs the CPUC to “work in conjunction” with DRA in developing ratemaking policies that promote safety. However, DRA is an independent division of the CPUC that acts as an intervenor in various CPUC proceedings. In these proceedings, the CPUC considers DRA’s arguments as well as those of other intervenors in issuing its decision. Requiring the CPUC to “work in conjunction” with DRA to develop safety ratemaking policies is inconsistent with DRA’s intervenor role. The CPUC decides major ratemaking policy issues in formal rulemaking proceedings, providing all intervenors an opportunity to participate. The language in the bill requiring the CPUC to work in conjunction with DRA could limit DRAs ability to also act as an intervenor in some proceedings.

Consideration of adopting this section should also take into account that the CPUC recently opened Rulemaking (R.) 11-02-019 to “consider available options for the CPUC to better align ratemaking policies, practices, and incentives to elevate safety considerations, and maintain utility management focus on the ‘nuts and bolt’s details of prudent utility operations.” R.11-02-019 only involves gas utilities.

If the overriding concern is for the CPUC to include safety as a factor in its ratemaking decisions, the section should be revised just to state that principle (e.g., “*The CPUC shall ensure that the public utility rates it approves promote public safety.*”)

Section 746(d) – Return of unspent safety funds to ratepayers

The section requires a public utility to return any unspent funds to ratepayers that were to be used for public safety after a reasonable period of time transpires. However, there may be circumstances where the ratepayers will benefit more by redirecting those funds to offset other utility expenses that would otherwise be covered in rate increases.

To address this concern the bill should be revised to specify that a public utility shall return all unspent funds to ratepayers that were to be used for safety unless the CPUC determines that the unspent funds should be treated differently. This maintains the CPUC's ratemaking discretion and, as a default, requires a public utility to return all unspent funds if the CPUC does not take any action.

Section 746(e) – Safety record consideration to determine rate of return

Correlating a utilities' rate of return with its safety record could create an incentive for a utility to manipulate (e.g., underreporting of accidents) its safety record in order to bolster their rate of return. As a deterrent, the statute should specify that: *"A public utility shall not in any way cause or attempt to cause the safety records that the CPUC will rely upon in considering a reasonable rate of return to be inaccurate."*

Section 770.5(a) – Definitions

1) The bill defines a "Commission-regulated gas pipeline facility" as an intrastate pipeline facility as defined in Section 6101 of Title 49 of the United States Code, that is "excluded from regulation by the Federal Energy Regulatory Commission pursuant to subsection (b) of Section 717 of Title 15...." Based on the definition, it appears as though the author intends to limit the applicability of the bill to transmission facilities, but it is not clear from Title 15, Section 15(b) if this means that distribution facilities are excluded from the bill. Additionally, it is not clear if the bill would cover a public utility's gas gathering pipelines (typically small diameter pipelines used to connect a wellhead and deliver raw gas to a gas processing facility). The bill needs to clearly define which operators and what pipelines are subject to the requirements of the bill.

In addition, the CPUC interprets Section 60101 of Title 49 to include all gas pipeline systems it oversees, including transmission, storage, master-metered, distribution, and propane systems. We believe that parts of the bill, specifically those related to the enforcement of the one-call notification program, should also apply to distribution systems.

2) The terms "anomalies" and "safety assessments" are not defined in the bill. Many similar terms appear in the gas pipeline safety regulations contained in Title 49 CFR, Parts 191 and 192. To ensure that any additional requirement is compatible with the existing requirements, the language in 770.5 (c) (1) should clarify that the "performance measure report required shall be established by the CPUC" and shall include the information "deemed necessary by the CPUC to evaluate the safety and performance of the pipeline facilities."

Section 770.5(c) (2) – Integrity Management

The bill requires operators to "evaluate the integrity" of all CPUC-regulated facilities outside high consequence areas. There are very specific requirements in Title 49 CFR, Part 192, Subpart O that address integrity management. The Subpart O requirements

are only applicable to transmission facilities that are located in a “high consequence area” as that is defined in that section of the code. It is not clear from the bill whether or not the author intends that the CPUC apply these same integrity management requirements to all transmission facilities, or if another integrity management evaluation would be acceptable. If the intent is to adopt the Subpart O requirements system-wide, the bill should specifically state that the owner or operator shall “evaluate the integrity of all CPUC-regulated gas pipeline facilities outside high-consequence areas...” At the same time, it should be noted that applying these requirements to all transmission facilities will take a substantial amount of time and will be extremely costly.

Section 770.5(d) – One-call notification program

Damage prevention regulations, including one-call notification requirements, currently exist in Section 192.614 of the federal pipeline safety regulations, as well as in California Government Code 4216. However, what is presently missing is enforcement of the regulations. CPUC recommends that the bill require electric and communication facilities operators, not just gas pipeline operators, be subject to enforcement of this requirement. Our recommendation would provide the CPUC with enforcement authority over any excavator, not only those employed by pipeline operators, but including other underground facility owners or operators, such as electric or communications facilities, as well as employees or contractors working for these operators. In essence, anyone who could potentially violate GC 4216 and the one call notification requirement program proposed by this legislation could be subject to enforcement.

Section 770.5(e) – Repair tracking

1) The term “repair” for the reporting requirement is ambiguous (e.g., would “repair” include preventative maintenance intended to avoid future repairs?) and not consistent with common rate case terminology. To be more precise and comprehensive, “repair” should be replaced with “proposed safety, reliability and integrity related projects and activities.”

2) The term “approved” repair suggests that the CPUC approves specific repairs in rate case proceedings. However, the CPUC typically does not approve specific repairs but rather a total revenue requirement based on the projected costs of forecasted safety work. Rather than use of the term “approved”, it is more appropriate to state “... for failing to make the proposed repairs [or safety, reliability and integrity related projects and activities] *underlying the approved revenue requirement.*”

3) In order to enforce and comply with the tracking requirement, the CPUC will need to know exactly what repairs a gas utility is proposing to undertake. Therefore, as part of their funding requests (including settlement agreements) filed with the CPUC, gas utilities should be required by statute to provide a detailed, itemized description of the proposed projects for which they seek compensation.

Section 770.5(f) – Uninsured expense

- 1) The term “uninsured expense” should be clarified to mean claims denied by the utility’s insurance carrier for negligence even when such negligence resulted in a catastrophic event.
- 2) This prohibition to recover claims denied by the utility’s insurance carrier due to negligence should not be limited to gas utilities but extended to all public utilities. The limited application of the prohibition suggests that it is acceptable for non-gas public utilities to recover uninsured expenses (that resulted from negligence) from their customers.
- 3) Prohibiting a utility from recovering funds for uninsured expenses creates an incentive for a utility to purchase more coverage or purchase insurance with lower deductibles than would ordinarily be reasonable. To address this, the statute should also specify that the CPUC shall deny utility requests for funds to purchase levels of insurance coverage that it finds to be unreasonable.

Suggested new provision – CPUC rate case safety findings

To codify the focus on safety in gas utility rate cases, the proposed legislation could be amended to require that gas utilities make a showing in their gas transmission and distribution pipeline rate case proceedings supporting CPUC findings that:

- a) The authorized revenue requirement is sufficient and will be used to cost-effectively fund gas utility activities necessary to maintain safe and reliable service and meet applicable federal, state and local safety requirements.
- b) If safety related projects that the utility proposes to undertake are reprioritized by the utility (and if such reprioritization is allowed by the CPUC), the re-prioritization will be based on sound risk-management principles.
- c) An assessment of the safety of the gas utility’s gas pipeline system that is the subject of the rate case has been sufficiently conducted prior to the submission of the rate case application.
- d) Any settlement agreement filed in the proceeding appropriately specifies and allocates funding for proposed safety related activities and adequately identifies these activities.

A gas utility shall also discuss in its rate case application to the CPUC the merits and effect on safety of returning to its ratepayers any unspent portion of the adopted revenue requirement allocated for safety activities.

DIVISION ANALYSIS (Energy Division and Consumer Protection and Safety Division):

The CPUC is already entrusted with safety jurisdiction for gas pipeline systems in the state by legislative mandate. It is responsible for enforcing safety regulations, inspecting all work affected by the statutes and making necessary additions and changes to regulations for promoting the safety of the general public and the utility employees that work on the gas pipeline systems. In addition to enforcing various state regulations, the CPUC works as an agent of the federal government to enforce gas safety requirements in California.

The CPUC does not need statutory authority to implement the rate recovery prohibitions and repair tracking requirements in this bill. For example, the CPUC is considering imposing reporting requirements to track PG&E's spending on gas pipeline safety activities in its pending Gas Transmission and Storage rate case (A.09-09-013). The CPUC has also opened a rulemaking (R.11-02-019) which, among other things, will consider gas utility ratemaking issues related to safety including incentives for prudent utility operations which could safety based rate of return adjustments. Finally, in rate cases, the CPUC can deny a utility request to recover fines, penalties and uninsured expenses due to utility negligence as being unreasonable per Public Utilities Code section 451.

The bill will create a number of new responsibilities for the CPUC that could strain staff resources. For example:

Reviewing the spending reports by the CPUC and DRA will lead to greater staff responsibilities, especially if they are quarterly, but even if they are less frequent.

The repair tracking requirement imposes a new responsibility on the CPUC to verify that a gas utility made the proposed repairs.

The CPUC would need to increase the number of gas related safety audits it conducts annually of pipeline operators to ensure that the new state regulations established are properly addressed and enforced. The CPUC would also need more staff to thoroughly examine the annual performance reports described in the bill for accuracy and trends

The one-call notification requirements of this bill are consistent with the Pipeline Inspection, Protection, Enforcement, and Safety (PIPES) Act of 2006. Under the PIPES Act, states are eligible to receive grants for improving their Damage Prevention Programs. To qualify for the grant money, the CPUC must include in its Damage Prevention Program a fair and consistent method to enforce the law.

LEGISLATIVE HISTORY: None

FISCAL IMPACT: We estimate that the CPUC would require four utilities engineers to implement this bill at a cost of \$465,423 annually and \$40,000 annually in travel and training costs.

STATUS:

AB 56 will be heard in Assembly Utilities and Commerce Committee on March 21, 2011.

SUPPORT/OPPOSITION:

None on file.

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BILL LANGUAGE:

BILL NUMBER: AB 56 AMENDED
BILL TEXT

AMENDED IN ASSEMBLY FEBRUARY 23, 2011

INTRODUCED BY Assembly Member Hill

DECEMBER 6, 2010

An act to add Sections ~~726~~ 746 and
770.5 to the Public Utilities Code, relating to public utilities.

LEGISLATIVE COUNSEL'S DIGEST

AB 56, as amended, Hill. Public utilities: ~~finer and~~
~~penalties~~ rate recovery and expenditure:
intrastate pipeline safety.

~~Under~~

(1) Under existing law, the Public
Utilities CPUC has regulatory authority over public utilities.
Existing law authorizes the CPUC to fix the rates and charges
for every public utility, and requires that those rates and charges
be just and reasonable.

This bill would prohibit a public utility from recovering any fine
or penalty in any rate approved by the CPUC. *The bill*
would require a public utility to file quarterly reports with the
CPUC and the Division of Ratepayer Advocates describing how the
public utility is spending ratepayer funds approved for
expenditure by the CPUC. The bill would require the CPUC
to align ratemaking policies, practices, and incentives to better
reflect safety concerns and ensure ongoing commitments to public
safety. The bill would require a public utility to return ratepayer
funds approved for expenditure for public safety by the CPUC to
ratepayers, if those funds are not expended within a reasonable
period of time after the CPUC grants approval of the public
safety expenditure, as determined by the CPUC. The bill would
require the CPUC to consider the safety record of the public
utility in determining what constitutes a reasonable rate of return
for the public utility.

~~The~~

(2) The Public Utilities Act
authorizes the CPUC to ascertain and fix just and reasonable
standards, classifications, regulations, practices, measurements, or
service to be furnished, imposed, observed, and followed by specified
public utilities, including gas corporations, as defined.

Existing federal law requires the United States Department of
Transportation Pipeline and Hazardous Materials Safety Administration
(PHMSA) to adopt minimum safety standards for pipeline
transportation and for pipeline facilities, including an interstate
gas pipeline facility and intrastate gas pipeline facility, as
defined. Existing law authorizes the Secretary of Transportation to
prescribe or enforce safety standards and practices for an intrastate

pipeline facility or intrastate pipeline transportation to the extent that the safety standards and practices are regulated by a state authority that submits to the secretary annually a certification for the facilities and transportation or alternatively authorizes the secretary to make an agreement with a state authority authorizing it to take necessary action to meet certain pipeline safety requirements. Existing law prohibits a state authority from adopting or continuing in force safety standards for interstate pipeline facilities or interstate pipeline transportation. Existing law authorizes a state authority that has submitted a current certification to adopt additional or more stringent safety standards for intrastate pipeline facilities and intrastate pipeline transportation only if those standards are compatible with the minimum standards prescribed by PHMSA.

This bill would designate the CPUC as the state authority responsible for development, submission, and administration of a state pipeline safety program certification for natural gas pipelines. The bill would require the CPUC to adopt and enforce compatible safety standards, as defined, for CPUC-regulated gas pipeline facilities, as defined, to accomplish specified results. The bill would require the CPUC to track proposed repairs for which a gas corporation requested compensation in any rate request that was granted by the CPUC in order to determine if the repairs are made and to require any gas corporation that fails to make repairs for which the CPUC granted recovery in rates to promptly make a public filing as to the justification for failing to make the approved repairs. The bill would prohibit a gas corporation from recovering in rates any uninsured expense resulting from a fire, explosion, or other catastrophic event involving a CPUC-regulated gas pipeline facility that resulted from negligence by the utility.

~~Under~~

(3) *Under* existing law, a violation of the Public Utilities Act or any order, decision, rule, direction, demand, or requirement of the CPUC is a crime.

Because the provisions of this bill would be a part of the act and because a violation of an order or decision of the CPUC implementing its requirements would be a crime, the bill would impose a state-mandated local program by creating a new crime.

~~The~~

(4) *The* California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: yes.

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section ~~726~~ 746 is added to the Public Utilities Code, to read:

~~726.~~ 746. (a)

A public utility shall not recover any fine or penalty in any rate approved by the CPUC.

(b) A public utility shall file quarterly reports with the CPUC and the Division of Ratepayer Advocates describing how the public utility is spending ratepayer funds approved for expenditure by the CPUC.

(c) The CPUC shall work in conjunction with the Division of Ratepayer Advocates to align ratemaking policies, practices, and incentives to better reflect safety concerns and ensure ongoing commitments to public safety.

(d) A public utility shall return ratepayer funds approved for expenditure for public safety by the CPUC, to ratepayers if those funds are not expended within a reasonable period of time after the CPUC grants approval of the public safety expenditure, as determined by the CPUC.

(e) In determining what constitutes a reasonable rate of return, the CPUC shall consider the safety record of the public utility.

SEC. 2. Section 770.5 is added to the Public Utilities Code, to read:

770.5. (a) For purposes of this section the following terms have the following meanings:

(1) "CPUC-regulated gas pipeline facility" means an intrastate gas pipeline facility, as defined in Section 60101 of Title 49 of the United States Code, that transports natural gas and is subject to the regulatory authority of the CPUC, including a pipeline that the CPUC, pursuant to subsection (c) of Section 717 of Title 15 of the United States Code, has certified to the Federal Energy Regulatory CPUC as being subject to the regulatory jurisdiction of the CPUC over rates and service. "CPUC-regulated gas pipeline facility" does not include those pipelines that are excluded from regulation by the Federal Energy Regulatory CPUC pursuant to subsection (b) of Section 717 of Title 15 of the United States Code because they are facilities used for the distribution of natural gas.

(2) "Compatible safety standards" means additional or more stringent safety standards for CPUC-regulated gas pipeline facilities that are compatible with the minimum safety standards adopted by the Department of Transportation pursuant to Chapter 601 (commencing with Section 60101) of Subtitle VIII of Title 49 of the United States Code and which the CPUC is authorized to adopt pursuant to subsection (c) of Section 60104 of that chapter.

(b) The CPUC shall be the state authority responsible for the development, submission, and administration of a state pipeline safety program certification for natural gas pipelines pursuant to Chapter 601 (commencing with Section 60101) of Subtitle VIII of Title 49 of the United States Code.

(c) The CPUC shall adopt and enforce compatible safety standards for CPUC-regulated gas pipeline facilities to accomplish all of the following:

(1) Require the owner or operator to make an annual performance measure report to the CPUC concerning all CPUC-regulated gas pipeline facilities. The performance measure report shall include the total number of anomalies identified as a result of safety assessments, the total number of conditions repaired, and the actual anomalies identified by the pipeline owner or operator during the inspections and the conditions requiring repair. The annual performance measure reports shall be made publicly available to the extent that doing so does not create a public safety risk. The

CPUC shall consult with the federal Department of Homeland Security in determining what information may be made available without creating a public safety risk.

(2) Require the owner or operator to evaluate the integrity of all CPUC-regulated gas pipeline facilities outside high consequence areas and to include this evaluation as part of their safety assessment reports.

(3) Require the owner or operator of CPUC-regulated gas pipeline facilities to develop and to implement, by January 1, 2012, a continuing public education program pursuant to Section 60116 of Title 49 of the United States Code. The owner or operator, to the extent that doing so does not create a public safety risk, shall provide detailed, customized information on pipeline locations and emergency response plans, as well as enhanced annual emergency response training.

(4) Require the owner or operator of CPUC-regulated gas pipeline facilities to provide information regarding the pipeline system to state and local emergency responders, including the business name, address, and emergency contact information of whom to contact if an event occurs, accurate maps of facility locations, the owner or operator's emergency response ~~—, plan~~ plan, and any other information the CPUC determines should be supplied to state and local emergency responders.

(5) Require the owner or operator of CPUC-regulated gas pipeline facilities to conduct outreach and public education relative to excavation dangers and the availability of the one-call notification program in order to reduce dangerous incidences caused by third-party excavations.

(6) Require the owner or operator of CPUC-regulated gas pipeline facilities to prioritize those facilities that, because of their proximity to seismic active areas, should be subject to the highest level of safety oversight.

(7) Require the owner or operator of CPUC-regulated gas pipeline facilities to comply with minimum standards established by the CPUC, in consultation with the independent review panel investigating the San Bruno natural gas pipeline explosion of 2010, to install automatic or remote shutoff valves, unless technically unfeasible, according to the following timelines:

(A) On all new CPUC-regulated gas pipeline facilities or any facility being replaced beginning January 1, 2012.

(B) On all facilities within 10 miles of a high-risk seismic fault by January 1, 2014.

(C) On all facilities within 10 miles of a Class 3 or Class 4 high consequence area by January 1, 2017.

(8) Require the owner or operator of CPUC-regulated gas pipeline facilities to operate those facilities at safe pressure if the facility cannot be inspected using the most effective inspection technology.

(9) Require owners and operators of CPUC-regulated gas pipeline facilities to complete, by January 1, 2022, a modernization program to upgrade key facilities located in heavily populated and other critical areas. The CPUC shall consult with owners and operators and interested stakeholders in developing the program requirements and schedule. The program shall contain criteria for prioritizing critical gas pipeline facilities and ensure that all upgraded facilities can accommodate state-of-the-art inspections, including internal corrosion inspection methods.

(d) The CPUC shall adopt and enforce a one-call notification program for the state consistent with the requirements adopted by the Department of Transportation pursuant to Chapter 601 (commencing with Section 60101) of Subtitle VIII of Title 49 of the United States Code.

(e) The CPUC shall track proposed repairs for which a gas corporation requested compensation in any rate request that was granted by the CPUC in order to determine if the repairs are made. The CPUC shall require any gas corporation that fails to make repairs for which the CPUC granted recovery in rates to promptly make a public filing as to the justification for failing to make the approved repairs.

(f) A gas corporation shall not recover in rates any uninsured expense resulting from a fire, explosion, or other catastrophic event involving a CPUC-regulated gas pipeline facility that resulted from negligence by the utility.

SEC. 3. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.